

Financial Report
OF
GEO. A. HORMEL & COMPANY
AUSTIN, MINNESOTA
for the
Fiscal Year Ended October 28, 1950

Annual Report

GEO. A. Hormel & COMPANY

1891 - 1892 Catalogue

OFFICERS

Jay C. Hormel	- - - - -	Chairman of the Board
H. H. Corey	- - - - -	President
R. F. Gray	- - - - -	Executive Vice President
R. H. Daigneau	- - - - -	Vice President
Park Dougherty	- - - - -	Vice President
Clarence A. Nockleby	- - - - -	Vice President
J. L. Olson	- - - - -	Vice President
T. H. Hocker	- - - - -	Vice President
R. D. Gower	- - - - -	Vice President and Controller
Geo. W. Ryan	- - - - -	Secretary and Assistant Treasurer
M. F. Dugan	- - - - -	Treasurer
E. J. Garrity	- - - - -	Assistant Vice President
P. C. Knopf	- - - - -	Assistant Treasurer
R. C. Dougherty	- - - - -	Assistant Secretary

DIRECTORS

R. S. Banfield	
S. D. Catherwood	
H. H. Corey	
R. H. Daigneau	
Park Dougherty	
M. F. Dugan	
R. D. Gower	
R. F. Gray	
T. H. Hocker	
Jay C. Hormel	
Clarence A. Nockleby	
J. L. Olson	

Austin, Minn.
December 1, 1950

To the Stockholders of
Geo. A. Hormel & Company

The earnings statement and balance sheet of your Company for the year ended October 28, 1950, is submitted herewith.

Stockholders' investment amounts to \$23,146,910. Except for the long term notes which are payable serially, the Company had no bank loans or other borrowed money at the end of the year. The net quick assets (working capital) amount to \$15,461,753.

After making allowance for the increased income taxes voted by Congress at the last session, the net earnings for the year were \$2,329,890. This was \$4.39 per share of common stock compared to \$3.23 per share last year and \$7.22 the year before.

We continue to price our inventory at the lower of cost or market.

The Company paid in Joint Earnings to all eligible employees the sum of \$839,380 which amounted to a little more than two weeks' checks based on a 40 hour week, and contributed \$996,085 to the Hormel Employees' Profit-Sharing Trust. The amount paid to the employees through the Profit-Sharing Trust and in Joint Earnings was \$1,413,290 more than last year. This increase in payment to them was two and four-tenths times the amount of increase in the net earnings of the Company.

Since the war your management, mindful of the continuing increase in population and particularly the shift to certain sections of the country, has expended several million dollars to increase the slaughtering and processing capacity of the Company.

In addition to new branch house facilities in Seattle and San Francisco, we have provided for additional manufacturing operations, such as sausage making and bacon slicing, in several other branches. Following our expansion in productive capacity, there must be a corresponding expansion in a wider market for the product. In this field we have not lagged, having increased our distribution facilities and added to our sales force to answer the need.

During the year we made arrangements for canning certain of our products in Stockton, California. The products manufactured there will be from materials that are readily available to the West Coast, and will be for sale on the West Coast, so the saving in freight will be substantial. Our investment in Stockton is small since we use the facilities of another canning company there.

Our people have been alert to the trend into the consumer package field with processed meat products, and our research department has been active in developing suitable products and packages. During the year we

have introduced some sixteen different items which have met with satisfactory acceptance in the trade.

Our enlarged facilities enabled the Company to set an all-time record in sales tonnage, which this year amounted to 796,665,827 pounds. And, while the value of product was lower this year, the amount of the net dollar sales increased to \$249,787,391 which was 3.2 percent more than last year. This was exceeded only in 1948 when the price of the product was much higher.

It is interesting to note that the net earnings were slightly less than one cent on each dollar of sales. During a great portion of this Company's growth it was possible to build, maintain and expand our plant from the profits of the business. In recent years, because of lessened profits, increased taxes, and a general increase in the cost of doing business, it has not been possible to do so. Renewal, maintenance and enlargement of plant necessarily involves spending sums vastly greater than the Company's retained earnings, and it became necessary in 1949 for the Company to arrange a long term loan.

Your management did not know how unsettled conditions might affect the availability and cost of borrowed money and, therefore, in 1950 felt it best to increase this long term loan with some of our banks for the purpose of providing additional working capital. Our balance sheet reflects an additional term loan of \$4,400,000 borrowed; but, during the year, we paid off \$600,000 of the previous loan. This leaves a balance of long term money outstanding in the amount of \$9,800,000, of which \$1,300,000 is shown as a current liability since it will be due before the end of the 1951 fiscal year next October 27. The balance of this loan is due serially over the next eight years.

In August this year there was a general increase in the wages of packinghouse workers in the amount of 11 cents an hour. This increase brings a new high in the scale rates of packinghouse workers.

The management appreciates the effective cooperation of our employees in carrying on the business of the Company, and is happy to report uniformly pleasant and constructive relations with the various unions in our several establishments.

We anticipate that present troubled conditions, with growing restrictions, will make operations somewhat more difficult. One of the disturbing things has been the rapid increase in prices of materials and supplies and the difficulty in obtaining deliveries. However, there promises to be an ample supply of livestock and, because of the improved physical facilities of our plant, together with the splendid personnel in our organization, we feel that we can look forward to the future with confidence.

H. H. COREY
President

BALANCE

Geo. A. Hormel & Comp.

October 2

ASSETS

	CURRENT ASSETS	\$29,155,568
Cash -----	\$ 4,594,508	
Accounts receivable, less allowance of \$100,000	8,671,160	
Inventories of products, livestock, packages, and materials—at lower of cost or market -----	15,591,327	
Unexpired insurance premiums and other pre-paid expenses -----	<u>298,573</u>	
 OTHER ASSETS		36,950
Sundry securities, note and accounts, less allowance of \$27,500 -----	<u>\$ 36,950</u>	
 PROPERTY, PLANT AND EQUIPMENT		16,148,207
Land—at cost -----	\$ 286,308	
Buildings and equipment	15,173,525	
Cost -----	\$24,123,502	
Less allowances for depreciation and amortization-----	<u>8,949,977</u>	
Movable equipment—inventoried at cost, less amortization -----	<u>688,374</u>	

\$45,340,725

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8, 1950

LIABILITIES

	CURRENT LIABILITIES	\$13,693,815
Accounts payable and accrued expenses	\$ 3,968,502	
Salaries, wages, and profit-sharing payments	5,501,586	
Payroll taxes and taxes withheld from employees	907,436	
Dividends payable November 15	341,291	
Federal taxes on income—estimated	1,675,000	
Portion of bank term loans due within one year	1,300,000	
		LONG-TERM DEBT
Unsecured notes payable to banks		\$9,800,000
Due \$900,000 annually on September 1 to 1956	\$5,400,000	
Due \$400,000 annually on September 29 to 1956, and \$1,000,000 annually on September 29, 1957 and 1958	4,400,000	
Less amounts due within one year, shown as current liability	1,300,000	
		STOCKHOLDERS' INVESTMENT
Preferred stock, cumulative, par value \$100 per share:		23,146,910
Authorized—48,935 shares		
Issued and outstanding—14,454 shares— Series A, 6%, callable at \$105 per share	\$ 1,445,400	
Common stock, par value \$15 per share:		
Authorized—600,000 shares		
Issued and outstanding—511,500 shares (including 124 shares represented by un-exchanged scrip)	7,672,500	
Earnings reinvested in the business, in addition to amounts transferred to common stock (Of the reinvested earnings at October 28, 1950, \$2,836,628 was free from the restriction on cash distributions on common stock under the long-term debt agreement)	14,029,010	
		\$45,340,725

STATEMENT OF EARNINGS

Geo. A. Hormel & Company

Fiscal year ended October 28, 1950

SALES (less returns and allowances) -----	\$258,764,310
Less freight and express-----	<u>8,976,919</u>
NET SALES -----	\$249,787,391
COSTS, EXPENSES, AND TAXES -----	<u>247,457,501</u>
(Itemized below)	
MATERIAL COSTS AND EXPENSES	\$213,709,179
Cost of products sold, selling, administrative and general ex- penses, exclusive of items shown separately -----	\$211,596,089
Provision for depreciation and amortization -----	1,666,569
Sundry charges (including in- terest expense of \$433,042), less sundry income and credits	<u>446,521</u>
TOTAL WAGE COSTS	31,399,257
Wages and salaries, including joint earnings -----	\$ 29,922,365
Contribution to employees' profit-sharing trust -----	996,085
Unemployment and federal old age benefit contributions-----	<u>480,807</u>
TOTAL TAXES	2,349,065
State income, property, and other taxes -----	\$ 674,065
Federal taxes on income for the year—estimated -----	<u>1,675,000</u>
NET EARNINGS	<u>\$ 2,329,890</u>

EARNINGS REINVESTED IN THE BUSINESS

Geo. A. Hormel & Company

Fiscal year ended October 28, 1950

Balance October 29, 1949	\$13,064,266
Add net earnings for the year	<u>2,329,890</u>
	\$15,394,156
Deduct cash dividends	1,365,146
On preferred stock—\$6.00 per share	\$ 86,724
On common stock—\$2.50 per share	<u>1,278,422</u>
Balance October 28, 1950	<u><u>\$14,029,010</u></u>

ACCOUNTANTS' REPORT

To the Board of Directors
Geo. A. Hormel & Company
Austin, Minnesota

We have examined the Balance Sheet of GEO. A. HORMEL & COMPANY as of October 28, 1950, and the related Statements of Earnings and Earnings Reinvested in the Business for the fiscal year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the accompanying Balance Sheet and Statements of Earnings and Earnings Reinvested in the Business present fairly the financial position of GEO. A. HORMEL & COMPANY at October 28, 1950, and the results of its operations for the fiscal year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

ERNST & ERNST

Certified Public Accountants

Minneapolis, Minnesota
November 24, 1950



